

COMPETITIVE ADVANTAGE MODEL AND ITS IMPLICATION ON THE PERFORMANCE OF ISLAMIC RURAL BANKS IN JAVA ISLAND

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ABSTRACT

The purpose of this study is to investigate the effect of Maqashid Shariah, core competencies, and industrial environment on the competitive advantage and its implication on the performance of Islamic Rural Banks in Java Island. This research is conducted by a quantitative methods with the type of descriptive and verification research through a survey involving 62 Sharia Rural Banks in Java. Data is obtained from the observations and distributing questionnaires. The analysis tool to test the hypothesis is Partial Least Square (PLS).

The results show that simultaneously, Maqashid Shariah, Core Competencies, and Industrial Environment influence Competitive Advantage. While partially, Maqashid Shariah and Industrial Environment do not affect Competitive Advantage, only Core Competencies that has a significant effect on Competitive Advantage. Then, Maqashid Shariah, Core Competencies, and Industrial Environment simultaneously significantly influence the Performance. Partially, Maqashid Shariah and the Industrial Environment influence Performance. However, Core Competencies does not significantly influence Performance. The partial test results show that competitive advantage has an effect on the Sharia Rural Bank Performance.

The model produced in this study is expected to contribute to the management of Sharia Rural Bank in Java in an effort to improve its performance through the development of the Maqashid Shariah, competitive advantage, and adaptation to the industrial environment, which is built by developing core competencies.

Keywords: Maqashid Shariah, Core Competencies, Industrial Environment, Competitive Advantage, Performance, Islamic Rural Bank.

INTRODUCTION

There are three types of Islamic banking institutions in Indonesia; fully-fledged Islamic commercial banks, Islamic banking units of commercial banks and Islamic rural banks (BPRS) (Bank Indonesia, 2016). Islamic Rural Bank has the specific purpose of providing banking products and services for low income people and small and micro enterprises (SME) both in cities and rural areas. In general, sharia rural banks (BPRS) have a purpose and characteristics that are relatively similar to the other microfinance institutions (MFI).

Sharia banking Roadmap of 2015-2019 launched two fundamental problems faced by the Islamic Banking in Indonesia, i.e. the small market share and the weak competitiveness of Islamic banking in the national banking environment (Bank Indonesia, 2016). To be able to compete in the banking industry especially in the market of Micro, Small and Medium Enterprises (MSME), BPRS are required to operate as efficiently and effectively as possible.

However, there is a big gap on the take-up rate for Islamic finance in comparison to the entire industry. The Islamic finance is smaller than that of the financial industry as a whole. In terms of the GDP proportion, the Sharia Banking penetrates only 2.65% of GDP far below the conventional proportion which is 20 times higher (Bank Indonesia, 2016). Data of Indonesian Islamic Banking industry penetration is still very small.

OJK noted that Murabaha over the past three years namely 2014, 2015, and until August 2016 still dominated Islamic bank financing compared to Mudharabah and Musyarakah which were considered as differentiation from conventional banks. In addition, related to the quality of Earning Assets, the deterioration in the quality of productive assets will certainly reduce profits and have an impact on the capital aspects of the SRB as reflected in the CAR figures. Over the past five years the CAR ratio has continued to decline, although it is still above the regulatory limit. The minimum capital adequacy of BPRS in 2007 was able to reach 34.72%, but at the end of 2009 it fell by around 4.7% to become 29.98%. These conditions, illustrate that the performance of Islamic rural banks is not optimal.

Regionally, according to the 2017 Indonesian Sharia Financial Development Report, sharia banking assets are still concentrated in several provinces on the islands of Java and Nanggroe Aceh Darussalam. The biggest assets of sharia banking are concentrated in DKI Jakarta province, which is 54.87%. Meanwhile, others were followed by West Java province at 9.33%, East Java at 6.34%, Nanggroe Aceh Darussalam at 5.11%, and Central Java at 4.74%.

The total concentration of the 5 (five) provinces was 80.39%, an increase from the previous year which reached 80.07%. The increase was mainly driven by an increase in sharia banking asset growth in the provinces of DKI Jakarta and East Java. Of the 10 provinces with the greatest asset values, 5 are in Java, namely DKI Jakarta, West Java, East Java, Central Java and Banten. Based on that, this research was conducted at the BPRS in Java.

It is found the aspects that can affect company performance, namely competitive advantage. Competitive advantage is based on reliable information, giving organizations knowledge about their customers. Technological advances and emphasis are given to help maintain customer relationships and customer loyalty, generating economic and financial benefits for the organization. Meanwhile, World Islamic Banking Competitiveness Report data shows that both total assets, total financing, and total investment are still far below conventional banks and even though their growth exceeds conventional, if we look at the growth trend of Islamic banks, the Islamic banks cannot compete. and do not have a competitive advantage compared to conventional banks.

It is suspected that there are other aspects that affect the performance of BPR Syariah companies such as the industrial environment. Ismal's research (2011) states that one of the causes of the small market share of Islamic banking in Indonesia is the lack of government support. Islamic banking in Indonesia develops bottom up unlike Malaysia, which develops top down because it is fully supported by the government.

In addition, research by Agha et al. (2012) found the influence of core competencies on competitive advantage that has implications for performance. Meanwhile, according to Financial Services Authority data, approximately 92.3% of Islamic banks are still in the core capital

category <Rp 5 trillion, so that Islamic banks are still very limited in carrying out their business activities.

Other studies also mention other aspects related to the performance of Islamic banks, namely Maqashid Sharia. Mohammed & Taib (2009) in their research compared the performance of Islamic banks and conventional banks. The results showed that the performance of Islamic banks compared to conventional banks if measured by PMMS or Islamic Maqashid variables were better.

Based on this background, the problems in Sharia Banks can be viewed from a variety of factors among others Maqashid Sharia to ensure its compliance with the original purpose of establishment which is different significantly from the conventional ones, the core competencies and industrial environment as a driving on competitive advantage to improve the performance of Islamic rural banks to be better than the conventional.

Based on this background, this study aims to examine the effect of Maqashid Sharia, Core Competencies, and Industrial Environment on Competitive Advantage and its implications for the performance of Sharia rural banks in Java Island.

LITERATURE REVIEW

Maqashid Shariah

In lughawi maqashidal shariah consists of two words, namely maqashid and shariah. Maqashid is a plural form of Maqsud meaning intent or purpose. Shariah literally means the path to the water source. The path to the water source can be regarded as the way towards the ultimate source of life. Maqashid is an objective to be achieved in doing something. There are various definitions raised by scholars of *usul fiqh* on the term maqasid.

Maqashid Shari'ah is now more focused on evaluating the financial performance of Islamic banks using the Maqashid Shariah Index (MSI) approach such as Hameed et al. (2004); Mohammed et al. (2008); Mughess (2008); Mohammed & Taib (2009); Antonio et al. (2012); Jazil (2013) and Maesyaroh (2015).

Romli (2010) defined maqasid al sharia, according to Wahbah al Zuhaili, as the values and objectives of shara` implied in all or most of its laws. Values and goals are seen as objective and confidential sharia, set by al-Shari`in any legal provisions (Soediro & Meutia, 2018). Laldin & Furqani (2013) also refer to al-Ghazali and state that there are five things as the goal of sharia: to protect life as a fundamental right for all human beings; to protect the mind as a gift from God and also the distinction between man and other God's creations; protecting offspring so that the lives of all humans remain sustainable; to protect and guarantee the freedom of religion and worship practice not only for Muslims but all religious followers; and to protect the property and livelihood of every human so that there is no oppression and tyranny in terms of obtaining wealth. Abdulaziz (2010) refers to al-Ghazali, suggest that the highest purposes of Islamic law are two types: religious or spiritual purposes related to the Hereafter; worldly goals related to worldly affairs of this world.

Based on the literature, the maqashid shariah variable in this study is measured by dimensions consisting of: educating individuals, upholding justice, and maintaining benefit.

Core Competencies

Hamel & Prahalad (1989) defined core competency as limited to the collective learning of an organization, especially how to coordinate diverse production skills with a variety of advances in technology, then in 1994 he renewed the definition of “*core competency*”, by adding the customer value (Prahalad & Hamel, 1994; Hamel, 1989). Thus, it is considered as core competence only if the results of a whole production skills and techniques are unique and provide value to the customers.

According to Hitt & Ireland (1985), core competency is the capability that provides source of competitive advantage for the company against its competitors. They argued that the core competency distinguishes a company competitively and reflects its personality and this core competency arise in a long time in an organization through the process of accumulation and learning in the use of resources and capabilities.

When the capacity is already well underway, the core competency will become the uniqueness of a company, reflected in the range of company’s activities that is much better than that of the competitors, and through which the company adds unique value to the products and services provided in the long term.

Hitt & Ireland (1985) also suggested the use of four criteria or test tool or indicator to facilitate the resources and capability to function as a core competency and become a source of competitive advantage of the company, they are: valuable, rare, costly to imitate, social complexity, and non-substitutable.

According to Barney & Hesterly (2010), there are four questions that must be answered to determine whether a resource or capability has a competitive value or not (Core Competence). These four questions which Barney & Hesterly (2010), mentioned as VRIO Framework (Value, Rarity, Imitability, and Organization).

Thompson et al. (2013) argues that Core Competency is the key to a company's strategy and competitive advantage by emphasizing better internal aspects of the company, so that Core Competency actually lies in its human resources.

Based on the study of this concept, the core competencies variable in this study is measured by dimensions: resources and valuable capabilities (valuable), resources and rare capabilities (rare), resources and inimitable capabilities (inimitable), resources and capability is difficult to be replaced (non-substitution), and the monotheism paradigm (tauhid paradigm).

Industrial Environment

The environmental scanning in the strategic management process refer to Wheelen et al. (2015), is the supervision, evaluation, dissemination of information, from the external and internal environment of key people in the company to help analyze to formulate the company's strategic decisions.

External environment is factors outside the company's control that are able to influence the choices, direction and actions, organizational structure and internal processes of the company. Changes in external forces can change consumer and consumer demand for industrial products and services. External forces influence the type of product being developed, the nature of promotion, market segmentation strategies, the types of services offered and the choice of businesses to be sold or purchased. External forces directly affect suppliers and distributors. Most opportunities and threats occur outside the control of the company. The main aspect of strategic management is the need for the formulation of various strategies to take advantage of external opportunities and minimize the impact of external threats (Pearce & Robinson, 2013).

Volberda et al. (2011) stated that industry is a group of firms producing products that are closely substitutes; and industry environment is the factors that influence a firm, its competitive actions and responses, and the industry's profit potentials. Pearce & Robinson (2013) also mentioned that industry as a group of companies that provide similar products and services; and industry environment as the general conditions for the competition that influences all business that provide similar products and services.

However, Wheelen et al. (2015) argued that the task environment includes those elements or groups that directly affect a corporation and, in turn, are affected by it. These are governments, local communities, suppliers, competitors, customers, creditors, employees/labor unions, special-interest groups, and trade associations. A corporation's task environment is typically the industry within which the firm operates. Industry analysis refers to an in-depth examination of key factors within a corporation's task environment.

Based on a study of the concept, the industrial environment variable in this study was assessed from two dimensions: the macro environment and the micro environment.

Competitive Advantage

Rothaermel (2013) describes competitive advantage as a firm that formulates and implements a strategy that leads to superior performance relative to other competitors in the same industry or the industry average. Competitive Advantage can be defined as anything that a firm does especially well compared to rival firms. To get sustained competitive advantage, companies must try to achieve two things, there are: continually adapting to changes in external trends and events and internal capabilities, competencies and resource, and effectively formulating, implementing and evaluating strategies that capitalize on those factors (David & David, 2015).

Thomshon et al. (2016) suggests that a company achieves competitive advantage when providing superior value to buyers compared to rival sellers or offering the same value at a lower cost. There are 5 dimensions that are widely used to be able to get Competitive Advantage, namely a low cost provider strategy, a broad differentiation strategy, a focused low cost strategy, a focused differentiation strategy, a best cost provider strategy. Meanwhile, according to Rothaermel (2013) to achieve sustainable competitive advantage in relation to business strategy there are 3 dimensions needed, there are: Differentiation: generic business strategy that seeks to create higher value for customers than the value that competitors create by delivering products or services with unique features while keeping the firm's cost structure at the same or similar level; Cost leadership: seeking to create the same or similar value for customers by delivering products or services at a lower cost than competitor; and Integration.

From the various definitions above, competitive advantage can be interpreted as a company's ability to create added value that is superior to its competitors. Al-Qur'an, verse Al Baqarah verse 148 actually talks about competition, which is a suggestion to compete in goodness or *fastabiqul khoirot*. The word *fastabiqul khoirot*, in Jalalain's interpretation is explained that this sentence shows humans to always compete in goodness and obey and take orders from Allah SWT.

Based on the study of the concept, the competitive advantage variable in this study is assessed from four dimensions, namely: overall low cost leadership, best cost provider, focus differentiation, *fastabiqul khoirot* (competing in goodness).

Performance

According to Best (2009), company performance is an output or the result of the implementation of all activities related to business activities, the company's performance indicators are sales growth and profitability. In connection with company performance in the banking industry, Hassan Al-Tamimi (2010) measures the performance of banks using ROA and ROE measures. Hahn & Powers (2010) use an ROA measure. Meanwhile, Karim et al. (2011) use the measures: Fixed Assets Turnover, Return on Invest, Return on Equity, Net Profit Margin, Operating Profit Margin, Return on Capital Employed (ROCE), and Earning per Share.

According to Kaplan et al. (2010), measuring performance is done through: financial, customer, internal business process, learning and growth aspects, where this aspect is known as the Balanced Scorecard. The size of each perspective is:

- Financial perspective: measured by accounts receivable, return on capital employed, operating expense.
- Customer perspective: measured by customer satisfaction.
- Internal business process perspective: measured by rework.
- Learning and growth perspective: measured by employee's morale and employee's suggestion.

Sharia BPR performance measurement usually uses conventional measuring tools. Yet to assess the performance of Islamic banking could not be equated with conventional banking, because both have different goals and views. According to Islamic economist Chapra (2001), Islamic economics links performance with the welfare of the people in order to create socio-economic justice. According to him, the success or failure of each branch of knowledge or activity is the extent to which direct or indirect contributions to the realization of human welfare by linking the performance achieved with benefit. Broadly speaking, the combination of conventional and sharia performance produces a measure with 1) performance ratio 2) performance indicators and 3) maqashid index as a whole. Based on the study of the concept, the performance variables in this study is assessed from five dimensions, namely: financial perspective, customer/service perspective, internal business process perspective, learning and growth perspective, and benefit perspective.

Maqashid Shariah and Competitive Advantage

Maqashid is the objective, and Sarwar et al. (2015) uses two dimensions of organizational goals, and objectives and organizational knowledge and innovation for seeking the influence of Tawhidic Paradigm on the sustainable Competitive Advantage. The results show that organizational objectives are most influential on sustainable Excellence Competing in Malaysia.

Altıntaş et al. (2010) also conducted a study on 90 manufacturing companies in Turkey and the result shows that strategic objectives that have relationship with Competitive Advantage is production efficiency, market embeddedness and product selling control.

Soediro & Meutia (2018) formulated the five elements of sharia maqasid, namely ad din, nafs, al aql, nasl wal'ird, and al maal. These elements are the achievements of al maslahah itself. For Islamic financial institutions, all elements must be achieved without differentiating or choosing one of them. In addition, it is also in harmony with the principles of rahmatan lil 'alamin and khalifatul fil ard.

Maqashid Shariah and Performance

Mohamed & Taib (2009) in their research on 24 selected “*Islamic and Conventional Banks*” made comparison on the performance of the Islamic and the conventional banks. The results showed that the performance of Islamic banks is better than the conventional banks under the PMMS measures or maqashid shariah variable.

Antonio et al. (2012) used a concept of MSI that was developed by the method of Simple Additive weighting (SAW). This study involved four samples of Islamic banks, two banks were from Indonesia, i.e. Bank Syariah Mandiri (BSM) and Bank Muamalat Indonesia (BMI) while the two others were from Jordan i.e. the Islamic International Arab Bank of Jordan (IUABJ) and the Jordan Islamic Bank (JIB). The research was conducted during the period 2008-2010. The results showed that Islamic banking in Indonesia and Jordan has different performances. None of them had a high value based on the maqashid syariah index method. However, BMI had the highest value compared to the other three banks.

Soleh (2016) find that Islamic banks should reevaluate their goals to conform to maqashid shariah, and the core competency has a strong and positive effect on organizational performance. Meanwhile, Oktaviani et al. (2018) found that maqashid shariah index measurement toward liquidity ratio of shariah banking has influence significantly, which liquidity level can be affected by implementation of maqashid shariah principles consists of educationg individual, enforcing justice, maintening the benefit and conducted optimally by shariah banking.

Soediro & Meutia (2018) conclude that the preserving and maintaining the five elements of maqasid sharia (ad din, an nafs, al aql, an nasl wal ‘ird, and al maal) is the achievement of al maslahah itself. For Islamic financial institutions, all aspects of maqasid should be achieved without distinguishing or choosing one to leave the other element. The five elements of the maqashid sharia become the measurement framework for the performance of an Islamic financial institution by transforming the concept directly into the aspect of management and governance; and analogizing it with certain aspects of the company. The stakeholder dimension is used so that the expected benefits are truly reaching all affected parties.

Core Competence and Competitive Advantage

Agha et al. (2012) conducted a study on the effect of core competency on competitive advantage and organizational performance. Its finding indicates that core competency has a strong and positive impact on competitive advantage and organizational performance. Nimsith et al. (2016) in their journal also proved that the core competencies had significant impact on competitive advantage. It concludes that banking firms achieve competitive advantage, which is considered significant successful, Bank sustain the success by proper use of their core competencies (Barney & Hesterly, 2010).

Papula & Volna (2011) find to achieve long-term success, it is better to look for competitive resources within the company, because the only stable certainty in a changing environment is the internal capacity that comes from the desire to be successful in the future.

Core Competencies and Performance

Jabbouri & Zahari (2014) found a significant correlation between core competencies and organizational performance. Core competencies for human resources as a strategic tool to

improve the organizational performance and expand their empirical knowledge in the context of private banks in Iraq. In addition, Djalil (2015) found that core competencies had a significant and positive influence on the performance of Islamic banking and Islamic microfinance in the region either directly or through the intervention variable of competitive strategy. García-Zambrano & Rodríguez-Castellanos (2016) also found a positive relationship of economic variables analyzed with the main competencies related to Relational Capital for Spain in the 2009-2011 periods, being only a statistically significant difference in the growth of sales variables. Adefe et al. (2019) found that a competency-based management framework is the main management tool in selected Nigerian banks. The competency framework adopted has a positive impact on bank performance.

Industrial Environment and Competitive Advantage

Yan (2010) concluded that industry environment has positive and significant impact on competitive advantage. Tavitiyaman et al. (2011) also Mithas et al. (2013) have the same findings. Kim & Hoskisson (2015) found that the condition of the resource environment in which a company's internal and external resource-oriented strategy - that is, the development of dynamic capabilities and interventions in the country's resource environment - is more useful when managing environmental paradoxes. Alrawashdeh (2013) also found that Jordan Phosphate Mines Company (JPMC) has a favorable advantage on supplier bargaining power, substitute threats and incoming threats. Competitive advantage is influenced by the bargaining power of suppliers, the threat of substitutes and the threat of local entry.

Industrial Environment and Performance

Mohamad et al. (2011) found that the business environment, especially government policies and economics, had a significant moderating influence on the relationship between corporate entrepreneurship and company performance. Laouiti et al. (2014) examined three main categories of the business environment being tested namely: the socio-cultural, institutional and technological environment. Empirical studies state that institutional and technological factors are the most positive and are significantly related to performance.

Competitive advantage and Performance

Kaliappen & Abdullah (2014) found that differentiation strategies and service innovation have a significant impact on organizational performance. While Daneshvar & Ramesh's research (2012) found that information technology can help commercial banks to adopt cost reduction strategies through reducing staff costs. Commercial banks adopted an expansion strategy through increasing the number of ATMs throughout India. The information technology strategy significantly contributes to increasing bank profitability and productivity. In addition, Teeratansirikool et al. (2013) found that all competitive strategies positively and significantly improved company performance through performance measurement (Figure 1).

Based on a review of the previous studies above, the conceptual framework of the research is structured as follows:

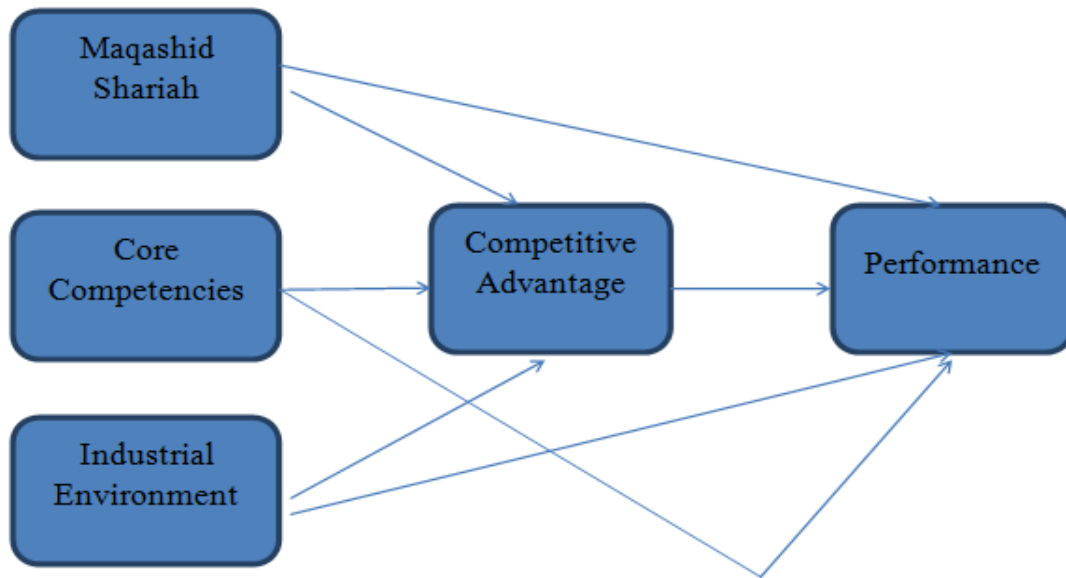


FIGURE 1
CONCEPTUAL MODEL

Based on the conceptual model, the following research hypotheses are arranged:

- H_1 *Maqashid Shariah, Core Competencies and Industrial Environment affect Competitive Advantage both simultaneously and partially.*
- H_2 *Maqashid Shariah, Core Competencies and Industrial Environment affect Performance both simultaneously and partially.*
- H_3 *Competitive advantage affect Islamic Rural Bank Performance.*

METHODOLOGY

Data and Methodology

This research is descriptive and verification through collecting data as a sample, so the research method used is descriptive survey and explanatory survey. Descriptive survey is a research method that aims to obtain an object description by conducting object research. While explanatory survey is a research method that aims to determine the characteristics of variables by examining a number of samples.

The unit of analysis in this study is the Sharia Rural Bank (BPRS) with a sample of 62 BPRS from 167 BPRS registered at Otoritas Jasa Keuangan (OJK). Descriptive hypothesis testing is done by using the technique of determining the average score. While verification research conducted in modeling and solution techniques using analytical tools approaches is Structural Equation Modeling (SEM) based on variants or components, namely PLS (Partial Least Square).

In this study the variables used are Maqashid Shari'ah, Core Competence and Industrial Environment, Competitive Advantage, and Sharia Bank Performance.

To obtain data and information in this study, a number of complete variables were disclosed along with concepts/variables, dimensions, indicators and scale. The main variables in this study are:

- 1) Independent Variables, namely Maqashid Shariah, Core Competencies and Industrial Environment.
- 2) Dependent Variable, namely Islamic BPR performance variable in Java.
- 3) Intervening Variables, namely Competitive Advantage.

The indicator used in this study is to use an ordinal measure with a Likert scale to determine the level of their approval of a statement by choosing from 1 to 5 with details 1 strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree

Hypothesis Testing

Hypothesis testing on PLS is done by Bootstrap resampling method. Bootstrap method is a sample data resampling based method with the condition of returning data to complete the statistical size of a sample in the hope that the sample represents the actual population data, usually the resampling size is taken thousands of times in order to represent the population data. The bootstrap process works by sampling with replacement.

This process requires a heavy computational process, but with the help of a computer program it becomes easy to practice. The bootstrapping process does not replace or add new data. Bootstrap as a way to estimate variations in statistics based on original data. The bootstrap distribution usually estimates the shape, spread, and bias of the actual sampling distribution. Bootstrapping allows one to make statistical inferences without making strong distribution assumptions and does not require analytical formulations for the sampling distribution of an estimator. Instead, bootstrap uses empirical distributions to estimate the sampling distribution (Ghozali, 2006).

RESULTS AND DISCUSSION

Measurement Model Analysis (Outer Model)

The measurement model (Outer model) is used to test the validity and reliability of dimensions and indicators in measuring constructional research variables. This analysis can be explained by the value of discriminant validity, loading factor, Construction Validity and Composite Reliability (Table 1).

Variable	Cronbachs Alpha	Composite Reliability	AVE
Sharia Muqosid (X1)	0,917	0.932	0.605
Core Competencies (X2)	0,948	0.954	0.574
Industrial environment (X3)	0,900	0.922	0.637
Competitive Advantage (Y)	0,892	0.914	0.629
Company performance (Z)	0,946	0.952	0.556

Source: Survey Data, processed by PLS, 2019

The method for looking at discriminant validity is to look at the square root of average variance extracted (AVE) values. The recommended value is above 0.5. Construct Validity is explained by the factor loading value. Chin (2000) said that the loading factor of the measurement model is greater than 0.50 or the calculated t value of the loading factor is greater than the t table at a significance of 5%, then the dimensions can be declared valid in measuring variables. Composite Reliability and Cronbachs Alpha are used to see the reliability or level of dimension reliability in measuring research variables. If the Composite Reliability and Cronbachs Alpha values are greater than 0.70 (Nunnally & Bernstein, 1967), the dimensions and indicators are reliable in measuring the research variables. In Table 1 above, the AVE value is greater than 0.5, this shows that all dimensions and variables in the estimated model meet the discriminant validity criteria. Likewise, the Composite reliability value of each variable is greater than 0.70 and Cronbach's Alpha > 0.70, so it can be concluded that all research variables and dimensions have good reliability.

The results showed that simultaneously Maqashid Shariah, Core Competencies and Industrial Environment influence Competitive Advantage. While partially Maqashid Shariah and Industrial Environment does not affect Competitive Advantage, only Core Competencies have a significant effect on Competitive Advantage. Then Maqashid Shariah, Core Competencies and Industrial Environment simultaneously significantly influence Performance. Partially, Maqashid Shariah and the Industrial Environment influence the Performance. However, Core Competencies does not significantly influence Performance. And the partial test results show that competitive advantage has an effect on Sharia Rural Bank Performance.

The results of hypothesis testing indicate that core competencies affect competitive advantage. These results support the findings of Agha et al. (2012) that core competence has a strong and positive impact on competitive advantage and organizational performance. This result is also in line with the findings of Nimsith et al. (2016) which proved that the core competencies had a significant impact on competitive advantage. These results are also in line with the findings of Papula & Volna (2011) that to achieve long-term success, it is better to find competitiveness within the company, because the only stable certainty in a changing environment is the internal capacity that comes from the desire to be successful in the future.

Meanwhile, the industrial environment does not affect competitive advantage. This does not support the findings of Yan (2010) which concluded that the industrial environment has a positive and significant impact on competitive advantage. This result is also not in line with the findings of Tavitiyaman et al. (2011) also Mithas et al. (2013) which have the same findings with Kim & Hoskisson (2015). The results of hypothesis testing also do not support the findings of Alrawashdeh (2013) that a favorable advantage lies in the bargaining power of suppliers, substitute threats and threats of entry. Competitive advantage is influenced by the bargaining power of suppliers, the threat of substitutes and the threat of local entry.

Even so with the results of the hypothesis testing that maqashid shariah has no effect on competitive advantage, this is contrary to the research findings of Altıntaş et al. (2010) which found that strategic objectives have a relationship with Competitive Advantage which includes production efficiency, market embeddedness and product selling control. The results also do not support the findings of Soediro & Meutia (2018) who formulated the five elements of sharia maqasid, namely ad din, nafs, al aql, nasl wal 'ird, and al maal. These elements are the achievements of al maslahah itself. For Islamic financial institutions, all elements must be

achieved without differentiating or choosing one of them. In addition, it is also in harmony with the principles of rahmatan lil 'alamin and khalifatul fil ard.

The results of hypothesis testing indicate that maqashid shariah and the industrial environment influence the performance. These results are in line with the findings of Mohammed & Taib (2009), Antonio et al. (2012), Soleh (2016), Oktaviani et al. (2018) and Soediro & Meutia (2018) that maqashid shariah influences performance. The results of this hypothesis testing also do not support the findings of Mohamad, et al. (2011) and Laouiti et al. (2014) that there are influences from industrial environmental factors on the performance.

The next hypothesis is testing the effect of competitive advantage on performance, where the test results support the hypothesis. These results support the findings of Kaliappen & Abdullah (2014), Daneshvar & Ramesh (2012), and Teeratansirikool et al. (2013) that in general aspects of competitive advantage affect performance.

The results of this study produce a novelty *“Competitive Advantage Model in Improving the Performance of Sharia Rural Banks Based on Maqashid Sharia, Core Competencies, and Industrial Environments”*. This model illustrates to improve the performance of Sharia Rural Banks need to be supported by Maqashid Sharia, Core Competencies and Industrial Environment simultaneously either competitive advantage or directly (Figure 2).

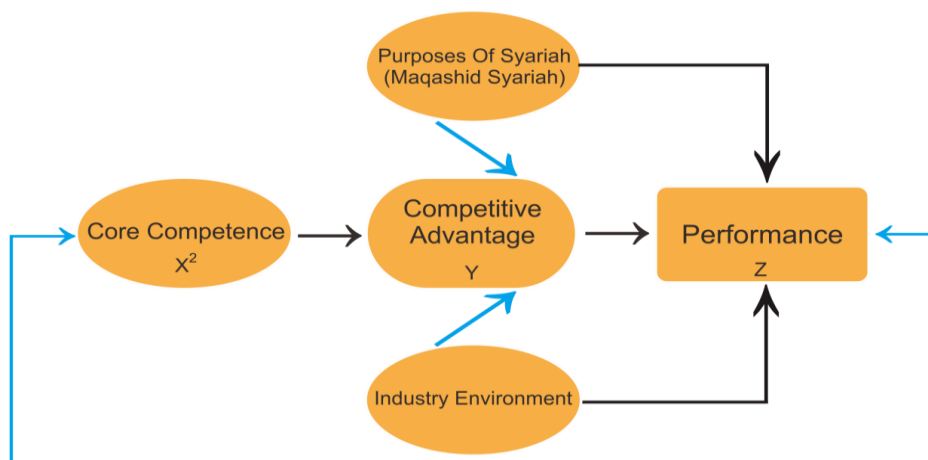


FIGURE 2
THE COMPETITIVE ADVANTAGE MODEL IN IMPROVING SHARIA RURAL BANK PERFORMANCE

The model produced in this study is expected to contribute to the management of Sharia Rural Bank in Java in an effort to improve its performance through the development of the Maqashid Shariah, competitive advantage, and adaptation to the industrial environment, which is built by developing core competencies.

CONCLUSION

1. BPR Sharia in Java basically has considered Maqashid Sharia which consists of the dimensions of improving education, upholding justice and the benefit of the people to improve its performance,

however it has not supported a clear competitive advantage strategy so that it has not resulted in high financial or benefit performance.

2. In the BPR Sharia industry core competencies influence competitive advantage to improve performance. BPR Shariah in determining its competitive strategy has taken into account the core competencies in the form of a capability. Strategy valuable, rare, difficult to imitate, difficult to replace and a monotheistic paradigm, but has not fully conducted customer and competitor orientation because the Sharia BPR comes from village, district and city financial institutions, so it is still slow achieve the expected financial performance.
3. The Industrial Environment which consists of Macro and Micro Environments is recognized as having an influence on the development of the Sharia Rural Bank industry, but not all of it has been well adapted because it has not used future-oriented strategy analysis.
4. In the Sharia Rural Bank industry the competitive advantage influences performance partially, but does not have a total effect so that the competitive advantage variable becomes a moderating variable on performance.
5. BPR Sharia has paid attention to efforts to improve competitive strategies, but does not yet have in-depth knowledge of strategic orientation so that in carrying out its business activities it is more oriented to financial analysis and operational guidelines for raising funds and financing that have been made by the FSA, the Sharia Board and Bank Indonesia. So that the Business Strategy is less developed and less encouraging for the performance of BPR Syariah.

Suggestions

Based on the description in the discussion section and conclusions above, it is recommended that some academic and practical suggestions be as follows.

Academic Suggestions

- 1) The research findings in this paper, are expected to be a reference for academics in developing research related to the Sharia Rural Bank industry in Indonesia, by making these findings part of the premise in developing a framework.
- 2) It is expected that the next researcher will be interested in conducting research on the Sharia Rural Bank industry, with the perspective of Sharia Rural Bank customer characteristics, and / or small and medium business characteristics that become Sharia Rural Bank business segments so as to improve Sharia Rural Bank performance in terms of marketing management science, or with different variables the same but with different research methods with this research.

Practical Advice

- 1) The results of the study indicate that it is necessary to change the perspective of business development and enhancing the performance of Sharia Rural Banks which emphasizes capacity building and competitive strategies so as to enhance the competitiveness of Sharia Rural Banks significantly and sustainably.
- 2) It is hoped that the Sharia Economic Community can play a role in helping to develop Sharia BPR socialization and development programs that lead to the improvement of the ability of financial business that is customer-oriented, market and management of core competencies to increase knowledge and expertise by collaborating with competent training institutions.

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